



Agenda Date: 5/8/08
Agenda Item: 8F

STATE OF NEW JERSEY
Board of Public Utilities
Two Gateway Center
Newark, NJ 07102
www.nj.gov/bpu/

CLEAN ENERGY

IN THE MATTER OF THE STATE ENERGY PROGRAM-)
FOR PROGRAM YEAR 7/1/08-6/30/09

ORDER

DOCKET No. EO08040237

(SERVICE LIST ATTACHED)

BY THE BOARD:

By this Order, the Board of Public Utilities ("Board") considers the Office of Clean Energy's ("OCE") State Energy Program ("SEP") plan for submission to the Board and to the United States Department Of Energy ("USDOE"). The USDOE required SEP plan submissions by May 1, 2008, but Staff of the OCE sought and was granted an extension to May 19, 2008. Staff now seeks Board approval of the proposed 2008-09 SEP plan at a budget level of \$2,505,560. This budget is comprised of \$964,000 in new federal SEP funds allocated by USDOE, \$297,560 in state matching funds, and \$1,244,000¹ in carryover funds from the 2007-08 SEP plan.²

In 1996, the SEP was established by consolidating two existing programs: the State Energy Conservation Program ("SECP") and the Institutional Conservation Program ("ICP"). 61 Fed. Reg. 35,890 (July 8, 1996). Both the SECP and ICP came about during the energy crisis of the early 1970s. Events during that time period increased the nation's awareness of its dependence on foreign oil. Congress responded with legislation that established a broad range of conservation programs, provided support for the development of new and more efficient sources of energy, and required the USDOE to lead and administer the effort. The SECP was established under the Energy Policy and Conservation Act of 1975, Pub. L. No. 94-163, 89 Stat. 901, to address energy conservation in the states. The SECP provided funding to the states for a variety of energy efficiency and renewable energy activities. 61 Fed. Reg. 35,890 (July 8, 1996). The ICP provided schools and hospitals with a technical analysis of their buildings and identified the potential savings from proposed energy conservation measures. Ibid. In creating

¹ The \$1,244,000 in carryover funds from the 2007-08 SEP projects is detailed below: Bio-diesel Fuel Rebate (\$300,000); Bio-diesel Rebate for Farmers (\$100,000); Bio-heat For Higher Education (\$100,000); Alternative Fuel Vehicle/Hybrid Electric Vehicle Rebate Program (\$200,000); Alternative Fuel Vehicle Port Authority of NY & NJ – Green Transportation Practices (\$120,000); Electric Vehicles for State Parks (\$75,000); Hydrogen Learning Center (\$100,000); Industrial & Institutional Grant Program (\$120,000); Compressed Natural Gas Station Maintenance & Repairs (\$29,000); and Energy Data Center (\$100,000). Carryover funds are based on completed projects which did not expend all dollars, invoices not being submitted, barriers to participation and lack of staff to administer projects.

² Funding is subject to State appropriations law.

the SEP, the USDOE combined SECP and ICP in order to make it easier for states to apply for grants and more efficient for both the USDOE and the states to manage the grants. Id. at 35,891.

The USDOE currently provides federal financial assistance and technical support to the states for energy programs by means of the SEP. 10 C.F.R. § 420 et seq. Federal laws and regulations establish set criteria for participation and define, in general terms, how funds may and may not be used. 42 U.S.C. § 6321 et seq.; 10 C.F.R. § 420 et seq. States must comply with the USDOE rules governing these financial awards.

The SEP is a joint state-federal initiative intended to promote energy conservation, reduce the growth of energy demand, and reduce dependence on imported oil. See 42 U.S.C. § 6321; see also 10 C.F.R. § 420.1. These goals are attained through the development and implementation of comprehensive state plans that are financially supported by the USDOE. Using a formula designed by USDOE, New Jersey has been allocated federal monies each year in support of its USDOE approved SEP plan. New Jersey's SEP allocation for federal fiscal year 2009³ is \$964,000. The new allocation of funds is a significant reduction of almost 24 percent from last year's allocation. Pursuant to the USDOE guidelines, New Jersey is required to match this amount with cash, in-kind contributions, or both. The matching funds must total not less than 20 percent of the federal allocation. For program year 2008-09, the \$297,560 in state matching funds will come from state salaries and the Clean Energy Program ("CEP"). Each state can propose how it intends to use its allocated share of funds to address both national criteria and the specific environmental conditions within that state.

The 2008-09 SEP plan contains programs designed to further State and federal energy conservation and efficiency goals. With the exception of the Industrial and Institutional Grant Program, the SEP plan, as proposed, focuses on alternative and renewable fuel projects and transportation in order to address some of the areas that the Clean Energy Program does not address. The Industrial and Institutional Grant Program has previously awarded grants to entities and must complete the payment process for these projects. The Alternative Fuel Infrastructure Program, described below, is the only project proposed that was not also included in the 2007-08 SEP plan approved by the Board in its order, In the Matter of the State Energy Program – For Program Year 7/1/2007-6/30/2008, No. EO07060416 (Aug. 22, 2007).

Due to the lack of personnel, the substantial reduction in SEP funding, and the need to build New Jersey's infrastructure to support the use of alternative fuels, the following programs from the 2007-08 SEP plan have been eliminated from the proposed 2008-09 SEP plan:

- Bio-diesel Rebate Program for Farmers;
- Alternative Fueled Vehicles Port Authority of New York & New Jersey - Green Transportation Demonstration Program;
- Electric Vehicles for State Parks; and
- Bio-heat for Higher Education Project.

While not included in the proposed 2008-09 SEP plan, the Energy Data Center may be funded through other means and the Compressed Natural Gas ("CNG") Station Maintenance and Repairs Program will be merged into the Alternative Fuel Infrastructure Program in an effort to simplify administration.

³ The 2009 federal fiscal year begins October 1, 2008 and ends September 30, 2009.

Among those programs returning from the previous SEP plan is the Alternate Fuel Vehicle/Hybrid Electric Vehicle ("AFV/HEV") Rebate Program. The existing AFV/HEV program guidelines' definition as well as the USDOE's definition of alternate fuel vehicles includes electric vehicles. However, the USDOE's definition is limited to electric vehicles for highway use, but not low speed or neighborhood electric vehicles. Staff proposes a modification to the AFV/HEV program in order to expand the existing program guidelines to define vehicle operation and performance requirements for the electric vehicles eligible for the AFV/HEV Rebate Program based upon the USDOE definition. In addition, Staff proposes to develop an appropriate incentive that will be based on the incremental cost of an electric vehicle similar to the existing rebate structure in place for other alternative fuel vehicles. Staff believes that the expansion of this program is appropriate in order to make it more consistent with the USDOE definition, the program guidelines' definition, and the overall purpose of the SEP plan.

In light of the foregoing, Staff now seeks Board approval of the proposed 2008-09 SEP plan comprised of the following projects:

1. Industrial and Institutional Grant Program: The goals of this educational outreach program are (1) to teach students in grades K-12 the importance of energy conservation through an energy efficiency and renewable energy curriculum; (2) to provide a forum for various community and professional organizations to address and be educated regarding environmental sustainability topics, such as the development of energy efficiency and renewable "green" energy technologies; (3) to promote the TA-LEED-EB Program for schools and colleges; and (4) to disseminate under-utilized energy efficiency and energy storage technologies in the State. Proposed budget: \$120,000.
2. Alternative Fuel Vehicle/Hybrid Electric Vehicle Rebate Program: This program will permit the Board to provide rebates to local government agencies, state colleges and universities, school districts and governmental authorities for the incremental cost of purchasing alternative fuel vehicles or hybrid-electric vehicles. The definition of AFV in the existing program guidelines includes electric vehicles, but Staff proposes modifications that will further define vehicle operation and performance requirements and establish an appropriate incentive for electric vehicles. Proposed budget: \$1,000,000.
3. Bio-diesel Fuel Rebate Program: This program will provide rebates to local government agencies, State colleges and universities, school districts and governmental authorities for the purchase of bio-diesel fuel, in lieu of 100% petroleum diesel. Proposed budget: \$407,845.
4. NJ Hydrogen Learning Center (NJH₂LC). The overarching goal of continuing the NJH₂LC is the strengthening of the emerging network of hydrogen and fuel cell related activities in New Jersey and the leveraging of those resources to inform policymakers about the role hydrogen could play in the State's energy portfolio. The key to expanding the use of renewables which are an intermittent source of energy from wind and solar, is the development of a clean and efficient storage mechanism. Hydrogen could serve that purpose. In addition, hydrogen could also be developed as a clean, renewable transportation fuel. Consistent feedback from stakeholders and others indicates a desire for continued leadership by State policymakers in identifying and mitigating the impacts of the major barriers to the development of the hydrogen economy. Chief among these needs are greater public investment, education and outreach, further research and development, and the advancement of explicit State hydrogen energy policy. Staff will

be expanding this to include a link to Rutgers Center for Advanced Energy Systems to provide technical support in addition to a policy forum discussion mechanism. Proposed budget: \$75,000

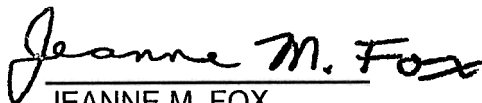
5. Alternative Fuel Infrastructure Program: This program provides cost-share funding to local government entities, including counties, municipalities and school boards, as well as State colleges, universities and governmental authorities to offset the cost for the purchase, installation, maintenance or repair of refueling and recharging stations for alternative fuels. The following alternative fuels are eligible: (1) natural gas; (2) propane; (3) electricity; (4) ethanol ("E85"); and (5) hydrogen. Proposed budget: \$225,000

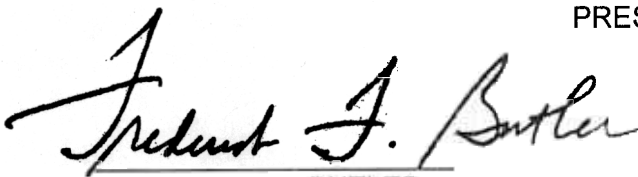
The Office of Clean Energy recommends that the Board approve the 2008-09 SEP plan as proposed above. OCE believes that the proposed initiatives for the 2008-09 SEP plan further the SEP's goals of energy efficiency and conservation and that these programs are reasonably budgeted at levels designed to achieve the goals of the SEP. Specifically, the plan's encouragement of the use of alternative vehicle and heating fuels as well as the dissemination of tools and expertise necessary for public institutions and others to reduce their own use of traditional fossil fuels is fully consistent with the federal and State policies underlying the SEP.

For the foregoing reasons, the Board HEREBY APPROVES the 2008-09 SEP plan as proposed above, including the proposed modifications to the AFV/HEV program and AUTHORIZES submission of the SEP plan to the USDOE.

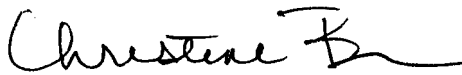
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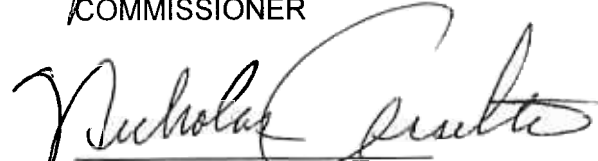
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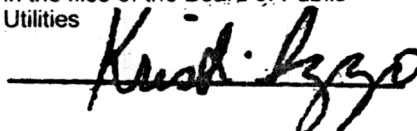

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ATTEST:


KRISTI IZZO
SECRETARY

I HEREBY CERTIFY that the within
document is a true copy of the original
in the files of the Board of Public
Utilities



IN THE MATTER OF THE STATE ENERGY PROGRAM (SEP) PLAN FOR
PROGRAM YEAR 7/1/08-6/30/09 - DOCKET NO. EO08040237

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